



OFFICE OF THE GOVERNOR
ARNOLD SCHWARZENEGGER
GOVERNOR

JOEL AYALA
DIRECTOR

EMBARGOED FOR 12:00AM MIDNIGHT EDT: October 8, 2010

CONTACT: Luis Farias
(916) 826-6069

**CALIFORNIA GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT,
CALIFORNIA TREASURER'S OFFICE, AND U.S. TREASURY ANNOUNCE
FUNDING FOR CALIFORNIA TO SUPPORT \$1.7 BILLION IN SMALL BUSINESS
LENDING, CREATE NEW JOBS**

State Small Business Credit Initiative Critical Component of Small Business Jobs Act President Obama Signed into Law Last Week; Funds Will Help Local Entrepreneurs Expand Their Businesses and Put More Americans Back to Work

WASHINGTON – Today, the California Governor's Office of Economic Development (GoED), the California Treasurer's Office, and the U.S. Department of the Treasury announced the allocation of State Small Business Credit Initiative (SSBCI) funding for California, which will support \$1.7 billion in new small business lending in the state through innovative local programs that help entrepreneurs expand their businesses and create new jobs. These SSBCI funds are a critical component of the Small Business Jobs Act President Obama signed into law last week to help unlock credit and provide targeted tax cuts for small businesses.

"The State Small Business Credit Initiative is absolutely critical for California's economic recovery and we want to thank the Obama Administration and Congress for moving this job-creation effort forward," said GoED Director Ayala. "My office will work closely with state partners and private lenders to ensure the \$168.6 million dollars that have been allocated to California get to our small businesses as quickly as possible."

GoED works closely with state partners to ensure businesses have access to resources that ensure their success. The California State Treasurer's Office, a GoED partner, oversees the California Pollution Control Financing Authority, which maintains a [list](#) of private lenders who will participate in the small business lending effort.

"This funding gives a major boost to California's small business lending programs," said State Treasurer Bill Lockyer. "By leveraging these funds we will vastly expand our current lending ability, help small business owners flourish and add needed jobs to the economy."

"Innovative local initiatives that support small business lending are under extraordinary pressure because of state budget difficulties," said Treasury Secretary Tim Geithner. "These funds will provide vital support to successful state-level programs that help local entrepreneurs obtain the



OFFICE OF THE GOVERNOR

ARNOLD SCHWARZENEGGER

GOVERNOR

JOEL AYALA

DIRECTOR

credit they need to put more Americans back to work. President Obama fought hard for the Small Business Jobs Act because it will help ensure that small businesses continue to strengthen our nation's recovery and serve as critical engines for job creation.”

Under the State Small Business Credit Initiative, states apply for federal funds for programs that partner with private lenders to extend more credit to small businesses. States are required to demonstrate a minimum “bang for the buck” of \$10 in new private lending for every \$1 in federal funding. The \$168.6 million funding commitment that the federal government will make in California is expected to support \$1.7 billion in additional private lending. Nationwide, the program is expected to support \$15 billion in additional private lending.

The SSBCI allows states to build upon existing, successful state-level small business lending programs, including collateral support programs, Capital Access Programs (CAPs), and loan guarantee programs.

- *Collateral Support Programs for Small Manufacturers*: Collateral support programs help viable businesses that are struggling to get credit because the value of the collateral they hold has fallen, often due to the decline in commercial real estate values. These programs – which set aside funds to augment collateral the borrower already holds – provide banks greater confidence in extending credit to these borrowers, particularly in some of the communities hardest hit by the economic downturn.
- *Capital Access Programs (CAPs)*: CAPs are loan portfolio insurance programs in which states provide a matching contribution to bank loan loss reserves when lenders extend credit to qualified small businesses. These reserve enhancements allow lenders to expand credit to new borrowers at a time when many of these lenders might otherwise pull back.
- *Loan Guarantee Programs*: Under loan guarantee programs, states provide partial guarantees on certain small business loans to give lenders greater confidence to extend credit.

California's allocation was determined based upon formulas in the Small Business Jobs Act that take into account the state's unemployment rate and decline in employment relative to other states.

In addition to the State Small Business Credit Initiative, the Small Business Jobs Act includes a number of important provisions to support small business job creation. The Act includes eight new small business tax cuts that went into effect immediately upon becoming law last week; creates a \$30 billion Small Business Lending Fund to help small and community banks provide new loans to small businesses; extends and expands existing Small Business Administration loan programs; and delivers other important benefits for small businesses. For more information on the Small Business Jobs Act, please visit, [link](#).



OFFICE OF THE GOVERNOR

ARNOLD SCHWARZENEGGER

GOVERNOR

JOEL AYALA

DIRECTOR

###

The Governor's Office of Economic Development (GoED) was launched by Governor Arnold Schwarzenegger to help stimulate and facilitate economic growth across the state. GoEd serves as a one-stop shop for business needs and can offer assistance, resources, and other tools to assist with the creation, expansion and retention of businesses. GoED's mission is to make it easier to do business in the state.